

VZCZCXRO8376
RR RUEHDE RUEHDIR
DE RUEHMS #0528/01 1490757
ZNR UUUUU ZZH
R 290757Z MAY 07
FM AMEMBASSY MUSCAT
TO RUEHC/SECSTATE WASHDC 8295
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 MUSCAT 000528

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STATE FOR NEA/ARP
COMMERCE FOR COBERG

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [MU](#)
SUBJECT: GOVERNMENT TAKING LIMITED ACTION IN CURBING PRICE
HIKES

REF: A. MUSCAT 522

[1](#)B. MUSCAT 71
[1](#)C. MUSCAT 29

Summary

[1](#)1. (U) The Minister of Commerce and Industry recently held a series of meetings with industry representatives to encourage restraint in price hikes in the wake of prominent media reports on the rising cost of living in Oman. Aside from a wage increase for government workers last November and a push to issue more residential construction permits to ease the housing crunch, the government does not appear poised to take further measures to reign in prices. End Summary.

Meeting of the Minds

[1](#)2. (U) Responding to public concern over escalating prices, Commerce and Industry Minister Maqbool bin Ali Sultan recently held a series of roundtable discussions with local industrialists, merchants, and food wholesalers and distributors. During these meetings, which one newspaper claimed was closed to the media, Maqbool reportedly urged participants to exercise restraint in increasing prices in an environment in which product prices are perceived as rising sharply in line with regional trends. He called upon the Oman Association for Consumer Protection (OAFCP) and the consumer protection department in his own Ministry to educate the public on the use of alternative products to ease concerns.

[1](#)3. (SBU) Said al-Khusaibi, Chairman of OAFCP, told Econoff during a May 26 meeting that his organization is working closely with the Ministry on this issue, and that Minister Maqbool had adopted a facilitative role in promoting dialogue between businesses and consumers. He said that industry representatives were, in general, on the defensive during the roundtable meetings, and he urged the government to monitor actions of those wholesalers engaging in price-inflating practices, such as the withholding of inventories from the market. Khusaibi noted that while consumer awareness would be an important component of a campaign to ease price concerns, financial considerations ultimately would constrain what his volunteer-staffed organization could do.

Statistics back Reporting

14. (U) Growing public concern over price hikes has been prominently reported by the media. The popular English weekly "The Week," for example, recently published a front-page report on the rapid increase of dairy and poultry products on the shelves of grocery stores in the capital. On the housing front, the English daily "Oman Tribune" showcased the surge in Muscat and Sohar rental prices. Such prices have increased by as much as 100% over the past two years in the wake of strong demand from an influx of expatriates against supply constrained by the lack of sufficient building permits for residential housing. Even utilities are rising, with the "Oman Daily Observer" posting a piece on the rising cost of water, which, according to the English daily, is up 39% over the past two years.

15. (U) Statistics released by the Ministry of National Economy support such reporting, as official figures show a broad increase in Oman's overall consumer price index. The Ministry reported that the General Price Index (GPI) for Oman in January 2007 was 4.2% higher than in 2006. Leading the increases were the price of eggs (up 41%), vegetables (up 23.6%), fish (up 13.5%), meat and poultry (up 11.4%), and fruit (up 10%). The GPI for Muscat rose 3.4% over the same time period, with the capital city's wholesale price index rising 9%.

Comment

16. (SBU) Maqbool's comments are reflective of the fact that while the government is sympathetic to public concerns over commodity price increases, it will not take any substantive action to reign them in through price controls. His sentiments echo statements made by Minister of National

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Economy Ahmed bin Abdul Nabi Macki, who argued that the government would be indirectly promoting a black market by implementing such controls. The government has already undertaken steps to supplement the salaries of government employees through a 15% wage increase granted in November 2006, but does not appear to be keen on taking additional measures, aside from increasing the housing stock through the issuance of new residential construction permits. As evidence of its policy to stay the course, the government intends to hold firm on its dollar peg (ref A), though it has come under criticism that consumer products, much of it imported from the European Union, are more expensive as a result of Oman's currency being tied to the weaker dollar. End comment.
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